

ESG: is it time for Chief People Officers to take the *lead?*

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At board level, ESG is increasingly woven into every business decision; meanwhile, organisations are seeking Chief People Officers who bring ESG skills alongside the more traditional People remit. What better way to explore these links than to bring together the boardroom insights of Louise Chaplin Partner and Head of Eton Bridge Partners' Board Practice and the CPO market expertise of Olivia Sharp, Partner, Executive Search, Human Resources Practice . Louise and Olivia hosted an event, attended by HR leaders, to examine key ESG themes in the boardroom and explore how they link with the CPO role.

ESG is no longer just a *footnote*

In the past, sustainability and social responsibility were little more than a footnote on the annual report. These issues were viewed as separate and secondary to a corporate strategy primarily based on financial returns metrics. But public attention and regulatory scrutiny have seen this relative backwater explode into a business-critical issue that can make or break careers and company reputations. Today ESG - with its ever-growing myriad issues ranging from climate impact to gender equality - is front and centre of corporate strategy.



The headline *issues* for CPOs

- ESG encompasses a broad range of high-profile themes from climate change to diversity and inclusion, community involvement and wealth distribution.
- ESG should be woven into all core business functions informing strategy, communications, products and processes.
- Regulation, reporting requirements and oversight are intensifying.
- Stakeholders are many – investors, employees, customers, regulators and local communities – and they have growing expectations of ESG.
- ESG goes two ways – both an organisation's impact on others as a result of its actions and the impact of external factors e.g. climate events on its own activities.

ESG has overtaken Corporate Social Responsibility (CSR) in the last few years with Google trends indicating ESG is now a more searched for term than CSR.

These topics affect all organisations regardless of their size. As roles and responsibilities adjust to keep pace, the CPO remit is a central part of an organisation's ESG response. Indeed, according to the PwC 2022 Annual Corporate Directors Survey the ESG issue discussed most frequently by Boards was talent management – which firmly sits within the CPO remit. No doubt, the recent pandemic and subsequent shift in work/life balance and purpose versus profit expectations have played a part here.



What's on the HR leader's ESG *to-do list*?

Every organisation will be developing an ESG approach that works best for their business and sector. Nevertheless, there are common themes that are likely to form the basis of the HR leader's response:



Talent and people management:

- Defining and implementing the most effective organisational structure for delivery of ESG goals.
- Developing and implementing a Diversity, Equality and Inclusion strategy.
- Embedding ESG-related targets in performance reviews, incentive and bonus schemes, enabling a shift toward creating a company culture that aligns with ESG goals.



Internal engagement:

- Educating employees about all aspects of ESG, collecting employee feedback on ESG goals and galvanising employees to get behind ESG initiatives.



Managing stakeholders/links outside the organisation:

- Assess against peers, reach out to other networks and organisations for learning opportunities.
- Consider how to boost engagement with the local community.
- Supply chain management to ensure outside vendors are meeting ESG goals.
- Ensuring company pensions are aligned to ESG-friendly funds



Reporting:

- Effectively using analytics and technology to meet reporting requirements, inform decision-making and connect with employees.
- Meeting compliance and ESG-related disclosure requirements.
- Track and measure progress on ESG goals.



ESG as an *opportunity* for Chief People Officer

Typically, the 'E' pillar of ESG gets the most focus. The most recent Chief Sustainability Officer study by PwC and Strategy& found that 37% of UK companies surveyed have appointed a CSO at first or second management level. The study also noted a large increase in the number of CSO appointments in recent years, with more than a third of CSOs globally being hired in the last two years. It will be interesting to see where the CSO role sits relative to the CPO in future as organisations refine their organisational structures relative to ESG goals.

HR leaders have a natural opportunity to occupy the 'S' and 'G' pillars given their area of expertise. At the core of the HR function, ensuring employees' commitment and shaping company culture is critical – issues that also go right to the heart of ESG. For example, the development of sound business ethics, decisions on fair capital allocations and best practice behaviours can fall under Governance, whilst good labour practices, attracting and hiring a diverse workforce, creating an inclusive culture, investment in staff training and developing long-term talent can all sit under the Social pillar.



The CPO has a *uniquely* privileged position to lead on ESG within an organisation:

- Visibility across all People issues, both internal and external.
- Strong communication links with all staff and ability to gather feedback.
- The influence to unify and inspire staff around ESG goals.
- Access to human capital metrics.
- A platform to articulate the company's ESG goals to stakeholders.

The CPO can take a lead role in measuring and driving performance against the agreed ESG goals and increase the visibility of these goals for other employees. The ability to influence should not be underestimated – 75% of employees trust their employer versus only 47% trusting the media, so the CPO has a key opportunity to influence their workforce in this space.

Not least, the CPO can push, promote and utilise ESG in the war for top talent with 67% of the global workforce now preferring to work for a socially responsible employer.



Leveraging ESG: *engage* with the board and *enhance* your credentials

ESG is a boardroom topic – it is on the board's agenda, and it comes up in the interview process so candidates will need to have a view. What's more, ESG reporting is becoming ever more complex; boards will be looking for someone who has the ability to manage the communication of ESG goals and data both externally and internally. An ESG-savvy CPO who can bring commercial insights to the board will be highly valued.

Leveraging the ESG leadership opportunities that the CPO role can bring adds a skillset in an area that is only going to increase in importance. ESG expertise and experience can also provide a foundation for career progression beyond the CPO role; for example, Non-Executive Directors (NED) who can share ESG knowledge with the board are much in demand.

As ESG continues to evolve, so too will the role of CPO. HR leaders would be wise to embrace the opportunity to lead on a board-level issue that overlaps so markedly with the People remit.

Please do get in touch if you would like to talk in more detail about opportunities in our Human Resources and Board Practices as we would be delighted to hear your thoughts and share our market insights.



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